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OFFICE OF  
THE ATTACHE  
SHANGHAI

UNITED STATES TREASURY DEPARTMENT

China

Mr. R. K. Kichols

CONFIDENTIAL MEMORANDUM

July 16, 1940

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OPIUM CULTIVATION IN CHAHAR AND SUIYUAN

Further in regard to the opium situation in Suiyuan, a thoroughly reliable foreign source states that opium is being cultivated there this year on the largest scale ever - as formerly stated, under compulsion by the Japanese authorities. (Please see reports of May 27th and June 3rd).

The Suiyuan production in a manner takes the place of the former tremendous cultivation in Kansu, where now regular crops have superseded the white poppy. The Suiyuan farmers, although many of them would rather produce grain owing to the food shortage, were first encouraged, early this year,

then forced, to plant opium.

The encouragement by the Japanese authorities took the form of pamphlets dropped over the Chinese farm lands from aeroplanes, exhorting the farmers to grow poppy; the distribution of free seed for the raising of opium plants; and the extending of easy facilities for transporting the opium to Kweichow, where a large number of shops, run by Chinese, receive the product for reshipment to Kalgan, which is still the main center through which the opium of the "Mengchiang" region passes. There are approximately forty such shops now in Kweichow. The Japanese do not exact any special taxes from the poppy-growing farmers, only the ordinary land-tax which they would have to pay anyway. The farmers receive \$4 per ounce of opium delivered to the Kweichow shops--the dollar in this case being the "Mengchiang" dollar, which is on a par with the Federal Reserve Bank dollar used in North China. The poppy capsules are being out just at this time, July.

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My informant said he had no idea where the Suiyuan opium goes from Japanese hands at Kalgan, but it is his opinion that the production in the general Mongolian area is so huge that the drug must, in large measure, be destined for export. It is the Chinese living in Suiyuan, Charbar, etc., not the Mongols, who produce opium. The Mongols, for one thing, do not have the confidence of the Japanese, and vice versa.

Opium sells in Peiping for \$18 to \$24 per ounce (FRB dollars). How openly it is dispensed may be expressed by pointing out that the famous Tung An Shih Ch'ang, or Morrison Street Market, where many foreigners go, has a public smoking den, which any passerby may inspect, adjoining a big restaurant.